H. J. Heinz Company Annual Report 1970

THE COVER:
We assume the young lady is thinking something like this: "I don't know. It just grabs me. I mean, this shape, I've been seeing the little red bottle since I didn't dig thing one, all I knew was, like, it came with something good inside and—wow!—the *scale* of it! Like, it's a statement. You know?"

Grandma, on the other hand, could be reflecting: "Well, now! Doesn't seem to be *too* much of a generation gap, does there? The girl knows a quality label when she sees it. Like as not, she'll grow up with some sense to her and be just a lovely wife to some fellow."

For ourselves, we can only conclude that age matters little when it comes to taste. We've been selling successfully to young and old and in between for more than a century.

We've come this far because of people like our cover's white-haired shopping veteran. She has known and trusted the Heinz name since she was her own generation's version of a teenybopper.

Our future lies with people like our cover's happy miss. Her generation has taken to Heinz products with an enthusiasm that encourages us like—well, like, everybody has to eat, right? And these kids eat more than anybody. And what they eat, more and more, is what we make.

You know?

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Annual Meeting

The annual meeting of company shareholders will be held at 2 p.m. on Wednesday, September 9, 1970, at World Headquarters in Pittsburgh. Formal notice of the meeting and proxy materials will be sent to shareholders about August 7, 1970.

H. J. Heinz Company
P. O. Box 57
Pittsburgh, Pennsylvania 15230
Area Code 412—231-5700

Highlights of the Year

Heinz	1970	1969	% Change
Net Sales	**$881,171,129**	$790,146,235	+11.5
Income before Extraordinary items	**32,570,838**	28,416,616	+14.6
As a percent of Sales	**3.7%**	3.6%	
Extraordinary items	**—**	59,490	
Net Income	**32,570,838**	28,476,106	+14.4
Per Share Common Stock			
Before Extraordinary items	**$ 2.41**	$ 2.28	+ 5.7
Net Income after Extraordinary items	**2.41**	2.29	+ 5.2
Dividends	**.88**	.79½	+10.7
Book Value (1)	**22.80**	20.35	+12.0
Additions to Plant and Equipment	**$ 41,910,175**	$ 31,167,637	+34.5
Depreciation	**17,466,780**	15,657,999	+11.6
Net Plant and Equipment	**236,408,072**	218,129,975	+ 8.4
Working Capital	**230,032,400**	183,731,221	+25.2
Shareholders' Equity	**$343,569,722**	$277,310,139	+23.9
Number of Common Shareholders	**11,047**	9,853	
Average number of Common Shares Outstanding	**13,252,859**	11,930,741	+11.1

(1) After deducting $100 a share for second cumulative preferred stock, representing the involuntary liquidation price.

Headlines

In fiscal 1970, H. J. Heinz Company

- reached new highs for the seventh consecutive year in dollar sales, earnings, and volume of products sold.
- increased the contribution of domestic operations to earnings, to 53.3 percent.
- issued an additional 1.5 million common shares to improve its ability to finance long-term growth requirements more advantageously.
- maintained or increased market shares for most of its established products.
- put into operation a major new plant at Salem, New Jersey.
- took part in groundbreaking of a new plant devoted to help combat malnutrition by developing techniques for production of fish protein concentrate.
- completed and put into operation the giant Latina plant in Italy.
- opened several take-out stores in southern California, marking Star-Kist's entry into the fast-food retail field.

To Our Shareholders

We are pleased to report that fiscal 1970 was the seventh consecutive year in which we attained new highs in dollar sales, in earnings, and in volume of products sold.

As indicated in the financial highlights on the opposite page, world-wide earnings rose 14.6 percent, from $28,417,000 to $32,571,000. Based on the average number of common shares outstanding, earnings per share rose to $2.41 from $2.28 last year. Sales gained from $790,146,000 last year to $881,171,000 this year.

Another successful year, in the face of increased competition, inflationary pressures and high interest rates, emphasizes the importance of the company's broad diversification, in terms of geographical areas, products and markets, which permits any shortcoming of one sector to be offset by strength elsewhere.

In addition, the good results reflect our progress towards the new goals that were thoughtfully delineated for the company in 1965. Our sales since then have grown from $556 million to $881 million, and our earnings per common share from $1.55 to $2.41. As a result of long-range profit planning, there has also been a steady increase in return on sales. Return on sales rose to 3.7 percent from 3.6 percent the year before. We expect a continued steady improvement in this percentage.

Further evidence of our success in redirecting the company toward greater growth and profitability is the steady increase in the contribution of our domestic operations to consolidated earnings. In 1963 domestic earnings accounted for only 16.5 percent of the total; they contributed more than half the total by 1969, and this year rose again, to 53.3 percent. Domestic sales also increased in 1970, reaching $489,000,000 compared with $443,000,000 in the previous year.

At the same time, our international operations continued to expand. The brighter over-all prospects now promised for the United Kingdom should be significant for the future of our British company.

The investment community has recognized our continued gains by according a higher price-earnings ratio to our stock. In 1966 that ratio was as low as nine times earnings, one of the poorest in our industry. During fiscal 1970, one of the most unfavorable common stock investment years since World War II, the price-earnings ratio was considerably improved.

The progress we are able to report is due in large part to the excellent performance at many levels of Heinz management. That performance was stimulated by the Management Incentive Plan, introduced in fiscal 1969, which linked executive compensation directly to attainment of specific individual, company and corporate goals. The new system requires a more precise definition of each management position, its accountability, and its contribution to over-all company growth. We are now able to make more effective use of management through more accurate appraisal of individual responsibility and performance.

One very constructive result of the MIP system has been early identification of high-potential managers who can be assigned to Heinz operations anywhere in order to acquire broad experience on a planned basis. A growing number of key managers are being moved to other countries to fill important posts as part of our continuing international management development program. For example, the head of our British company is a native of Ireland. The heads of our North American and Canadian operations are natives of Scotland. An Australian is in charge in Japan. We have American chief executives for our companies in Mexico and Venezuela.

We continue to lay stress on the development of new products and new markets. New products are the result of careful coordination among marketing, research and food technology specialists, so that a new product meets predetermined demand and has an excellent chance for acceptance within its market segment. The results of these coordinated efforts are made available to all Heinz companies.

While relying primarily on internal growth, we continue to seek acquisitions. The senior vice presidents responsible for the three geographical divisions are authorized to seek companies that will mesh well with our over-all growth plans. The British company made three such acquisitions during the year, and opportunities are being actively investigated in other areas.

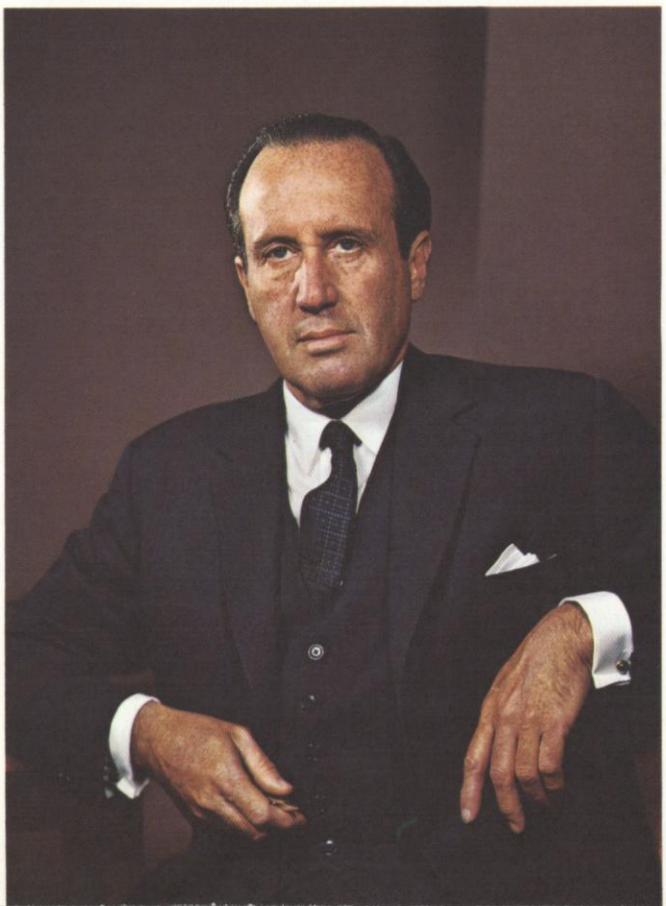
Our continued growth world-wide has required additional financing, including short-term borrowing for working capital and inventories. We issued an additional 1.5 million Heinz common shares in December, 1969. This expansion of our equity base has given us greater flexibility in money markets and will improve our ability to finance long-term growth cash requirements under more advantageous conditions.

While our first responsibility is maintenance of profitable operations for our shareholders and continued employment opportunities for our personnel, we have been concerned, from our very beginnings, with our role as a member of the community. We continue to devote resources to help solve some of the major problems that concern us all. We have an active program to hire, train and promote the disadvantaged. "Consumerism," so much in the news of late, has long been a concern of H. J. Heinz Company. We have pioneered in the adoption of pure food and drug laws and have expanded knowledge of nutrition through our research, publications and other activities in this field.

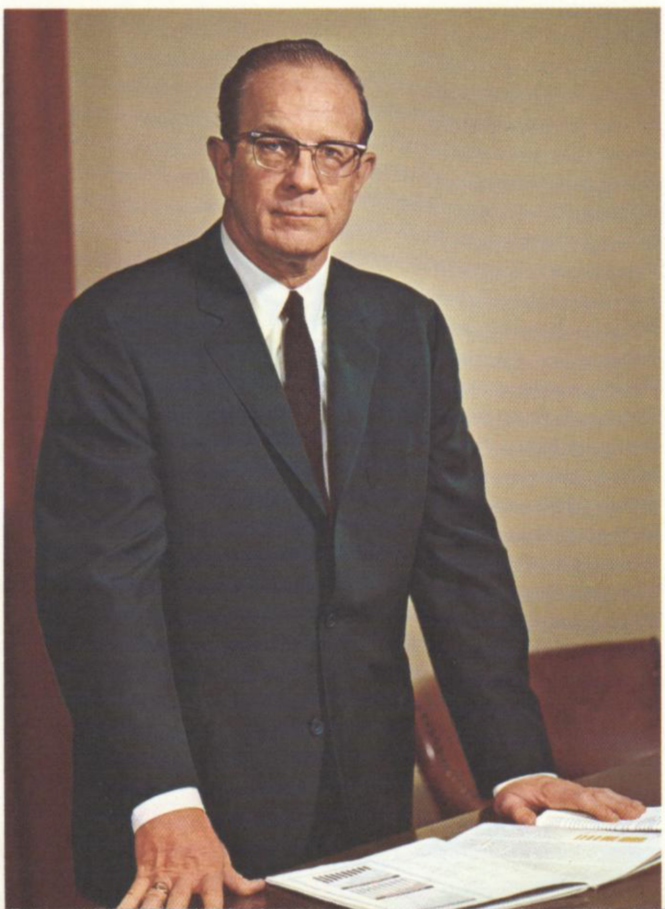
We share the concern of all Americans—and particularly of the young—about the threat to our environment caused by indiscriminate use of natural resources and by pollutants released into our water, land and air. Because the future depends on proper use of our resources, we believe that programs formulated to solve these problems must be based on careful, intelligent planning and not on hastily improvised measures that may only hinder effective long-term solutions.

Since ecological matters are seldom confined to small areas, but may cross a number of political boundaries, we believe that governmental authorities

Henry J. Heinz II



R. Burt Gookin



should have basic responsibility for planning programs on a broad basis. We are already giving our full compliance to such programs where they exist and will strongly support well-planned measures that may be enacted in the future.

Meanwhile, we have not overlooked our own corporate responsibilities and have taken a number of new measures to control the emission of wastes that inevitably results from our food manufacturing operations.

An over-all program for the North American group of companies is not possible, because each operation has different problems and requires its own solution. We are, however, applying a number of control measures on a general basis wherever possible. These include chemical pretreatment of liquid effluent, neutralization of waste acidity and removal of suspended solids, removal of grease and meat particles, and contracts with commercial firms to remove and safely dispose of solid wastes. We continue to replace coal boilers with gas-fired equipment.

Special efforts by individual companies are exemplified by the environmental protection programs of Ore-Ida Foods, Inc. Approximately $1.5 million has been spent for this purpose so far and an additional $850,000 has been made available for the next five years. While most of the effort has involved treatment of solid wastes from potato processing, attention is being given also to better ways to handle secondary wastes such as liquids and gases. At the company's Oregon and Michigan plants, facilities have been completed for processing and reducing these materials without dumping them into streams or releasing them into the atmosphere. The State of Michigan has commended the company for the pollution control measures taken at its Greenville plant.

We believe it is our corporate responsibility to be good citizens as well as successful businessmen wherever we operate. In many countries we are contributing to national economic strength through the establishment of agricultural research projects and the introduction of advanced growing, harvesting, production and shipping methods. To cite only two examples, we are working with the Mexican government to revitalize the pineapple industry, with important benefits to the national economy, and in Portugal we helped to establish the agricultural and processing basis that has made the exportation of tomato paste a major industry.

In view of the slowing down of the American economy in 1970 and strong inflationary pressures prevailing here and in other countries, it will take considerable additional effort to maintain our seven-year record of uninterrupted growth and progress at its current rate. Despite present economic difficulties, we expect fiscal 1971 to be another record year. Now into our second century, we look ahead with confidence. With continued support of our multinational Heinz family and of our shareholders, we foresee a bright future.

Henry J. Heinz II

Chairman

R. Burt Gookin

President and Chief Executive Officer

Financial Review

Sales

Three years ago, the company announced a $1 billion annual sales goal by 1972. Fiscal 1970 saw substantial progress toward that objective.

Consolidated sales rose to a record $881,171,000 in fiscal 1970, 11.5 percent higher than the previous year and 58.4 percent greater than sales of five years ago.

Earnings

Consolidated net earnings during the 52-week fiscal period rose to new record levels, marking the seventh consecutive annual earnings increase for the company. Income rose 14.6 percent, equivalent to $2.41 a common share after provision for preferred dividends, based on an average of 13,252,859 shares outstanding during the fiscal year. This compares with earnings of $2.28 a share before extraordinary items on the 11,930,741 shares outstanding during fiscal 1969.

Income in relation to sales showed a gain, increasing from 3.6 percent to 3.7 percent.

Domestic Earnings/Sales Gains

There was continued improvement in the relationship of earnings from domestic operations to foreign operations. During fiscal 1970 earnings from domestic operations accounted for 53.3 percent of consolidated net and foreign operational income accounted for 46.7 percent. Domestic income exceeded foreign for the first time in recent years in fiscal 1969.

Domestic operations accounted for 55.5 percent of consolidated net sales, as compared with 56.1 percent last year.

Record Fourth Quarter

Sales and earnings during the company's fourth fiscal quarter topped those of any previous quarter in the company's history.

Fiscal 1969 consolidated earnings and sales by quarter were as follows:

Stock Offering

A registration statement was filed with the Securities and Exchange Commission on December 10, 1969, covering 1,500,000 shares of common stock to be offered by the company. Simultaneously, it was announced that the registration statement also covered 175,000 shares of Heinz common stock to be offered by the Howard Heinz Endowment, a charitable trust.

These shares were sold through a group of underwriters on December 22. Proceeds to the company, amounting to $44.1 million, were used to reduce short-term borrowings that were incurred primarily to meet the company's working capital requirements.

The company did not receive any of the net proceeds from sale of the remaining 175,000 shares, which were earmarked for use by the Howard Heinz Endowment in meeting commitments to various charitable organizations.

Acquisitions

H. J. Heinz Company Ltd., British subsidiary, acquired for cash a controlling interest in W. Darlington and Sons Ltd., one of the largest mushroom growers and the leading mushroom spawn producers in England.

The Darlington transaction was the fifth acquisition by Heinz-Britain during the past three years. The company acquired J. G. Read Ltd., a poultry processing company, in 1966; Samor Pure Foods Ltd., processors of canned fruits, vegetables and baked beans, in 1967; Moss Waltham & Co. Ltd., a meat processing company, in 1968; and Fisons Foods, a producer of milk products and canned foods, in 1969. All of the acquired companies were consolidated during fiscal 1970 under a new wholly-owned subsidiary, Pickerings Foods Ltd.

Later in the year, W. Darlington & Sons acquired another mushroom producer, Agaric Ltd., and Heinz-Britain acquired a substantial interest in Manor Vinegar Brewery Company Ltd., a vinegar manufacturer.

Dividends

The quarterly dividend on the company's common shares was raised on January 10, 1970 from 21 to 23 cents a share. The action marked the fifth common stock dividend increase during a 29-month period.

The Board periodically reviews its dividend policy, taking action when earnings performance and other relevant factors point to a larger payout for company shareholders.

There has been a 46.7 percent increase in common stock dividends during the past three years. The current annual dividend rate on common stock is $.92, compared with payouts of $.79½ in 1969 and $.67½ in 1968.

Capital Expenditures

The company spent $41,910,000 for property, plant and equipment during fiscal 1970. This brings to $159,397,000 the amount spent on physical facilities during the past five years. This year's outlay compares with $31,168,000 in capital expenditures during fiscal 1969.

Major domestic and international capital projects are listed in the narrative reports for the company's three geographic areas later in this report.

Other Financial Results

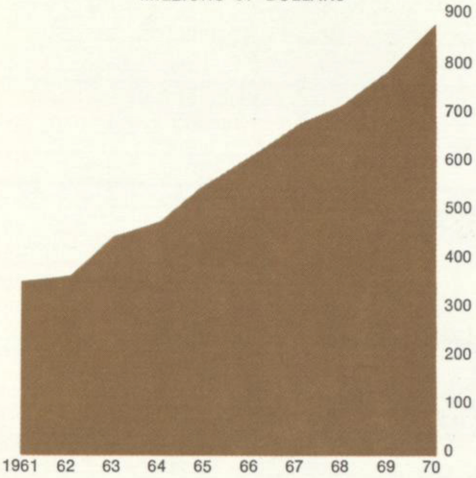
Working capital increased to $230.0 million, compared with $183.7 million in 1969. The ratio of current assets to current liabilities stood at 2.3 at year end, compared to 2.0 at fiscal 1969 year end.

Total shareholders' equity amounted to $343.6 million, up 23.9 percent from $277.3 million in fiscal 1969. Of this total, companies in the U. S. and its possessions accounted for $188.4 million. Total assets rose to $669,542,000 from $603,124,000 last year.

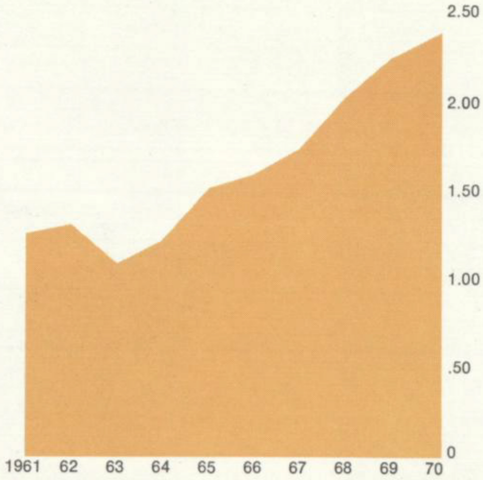
Cash flow amounted to $49,403,000, or $3.73 a share, in fiscal 1970. Depreciation was $17,467,000 compared with $15,658,000 last year.

Financial Results by Quarter	Net Sales	Net Income	Per Common Share
First quarter	$189,332,322	$ 5,934,619	$ .46
Second quarter	239,510,420	8,901,861	.68
Third quarter	198,086,375	5,049,752	.37
Fourth quarter	254,242,012	12,684,606	.90

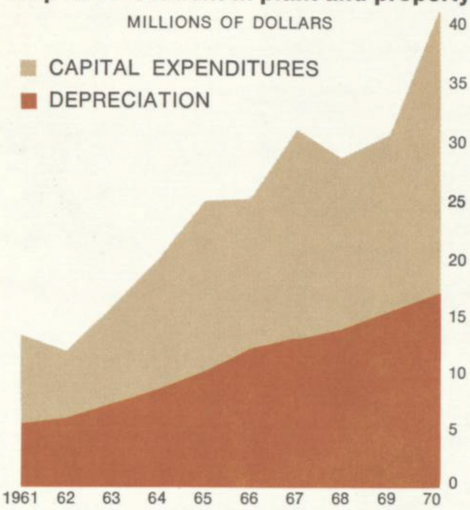
Growth of sales



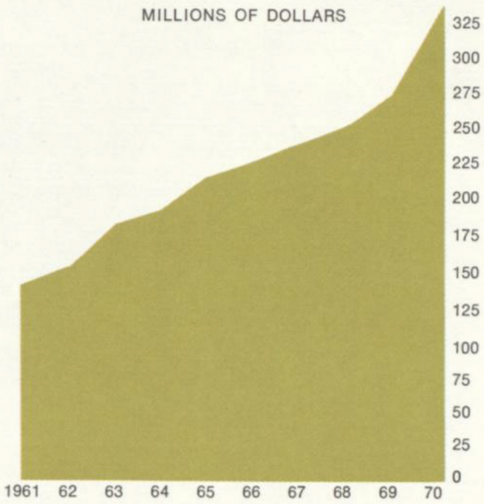
Earnings per common share



Capital investment in plant and property



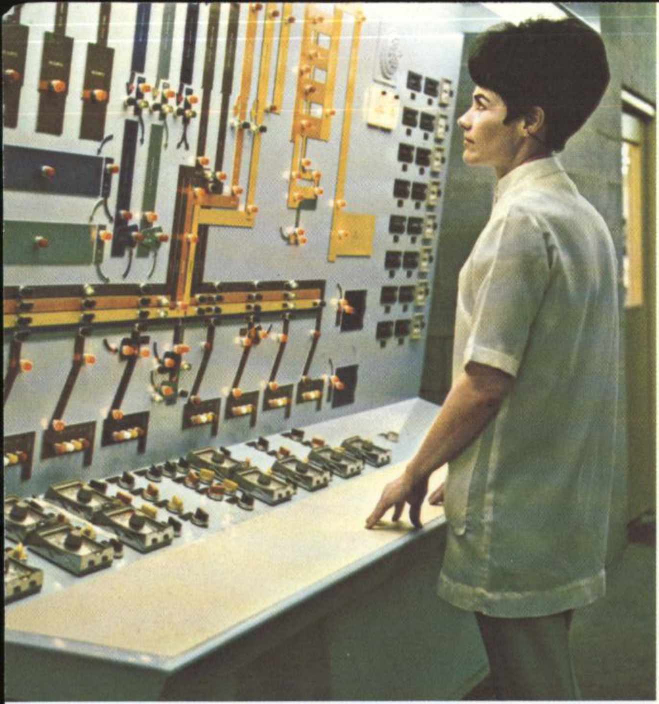
Growth of shareholders' equity



Comparison of Foreign and Domestic Sales and Earnings (In Thousands of Dollars)

	1970	1969	1968	1967	1966
Net Sales	**$881,171**	$790,146	$734,365	$690,863	$620,263
Foreign	**392,412**	347,155	345,781	333,440	305,073
% of Total ...	**44.5**	43.9	47.1	48.3	49.2
Domestic	**488,759**	442,991	388,584	357,423	315,190
% of Total ...	**55.5**	56.1	52.9	51.7	50.8
Net Income	**32,571**	28,417(1)	25,274(1)	21,530	20,304
Foreign	**15,196**	14,152	14,468	13,545	13,105
% of Total ...	**46.7**	49.8	57.2	62.9	64.5
Domestic	**17,375**	14,265	10,806	7,985	7,199
% of Total ...	**53.3**	50.2	42.8	37.1	35.5

(1) Before extraordinary items




CHERYL MARIE


TOLEDO

North America

- Heinz U.S.A. Division
- H. J. Heinz Company of Canada Ltd.
- Star-Kist Foods, Inc.
- Ore-Ida Foods, Inc.

Marketing

Despite an economic slowdown in both the U. S. and Canada, plus vigorous competition for the consumer's food dollar, the North American group reported continued sales growth.

Heinz U.S.A.'s sales volume grew at a rate substantially faster than the growth rate for the U. S. population, with institutional foodservice volume showing more rapid expansion than retail grocery sales. In this convenience-oriented era, consumers are eating more of their meals away from home. As a result, the institutional foodservice market, exclusive of alcoholic beverages, is now approaching $40 billion annually. Our increasing sales to this big, growing market are highly significant.

Share of market for most established products was satisfactorily maintained and in some cases showed encouraging growth. For example, fiscal 1970 was the fifth consecutive year in which our leading share of the high-volume ketchup market showed an increase.

New product activity continued at a strong pace, with the addition of two development research teams to the group working on advanced concepts for both the retail and institutional foodservice markets.

A new Heinz product is the result of carefully coordinated teamwork by specialists in marketing, as well as in recipe formulation and food technology. The product is not simply "created" and then offered to the market. On the contrary, a thorough study of the market potential comes first, and then a product is developed for the market on the basis of hundreds of trial recipes run through the experimental kitchens. For example, Heinz corned-beef hash, a relatively simple product, went through 350 test variations before a recipe was approved.

Evidence of the competence of Heinz chefs appears in a review of the many honors they have won in international competitions. Among such honors earned in fiscal 1970 was the Medal of the French Republic, considered to be the highest award offered in culinary circles, which was conferred on 28-year-old Ferdinand Metz, product development chief for Heinz U.S.A.

Products created for the institutional foodservice market during the year included six new condiment sauces (pizza, barbecue, tartar and roast beef sandwich sauces, and hamburger sauces with and without onions), ten new pureed varieties of vegetables, fruits and puddings for special diets, four new varieties of individual service jams and jellies, and a 12-ounce decanter of malt vinegar for use in fast food retail outlets. All won good acceptance from the institutional trade.

For the retail grocery market, the Great American Soup line added five new varieties (full-flavored tomato, Manhattan clam chowder, turkey rice, creole chicken gumbo, and turkey vegetable), and a new marinara sauce was added to the spaghetti sauce line, which has performed well since its introduction last year.

Successful marketing contributed to another good year for the Star-Kist Foods subsidiary. Solid white tuna in spring water was introduced into seven major U.S. and Canadian cities and further market expansion is planned.

A new development in a promising market was Star-Kist's entry into the fast food retail field. "Good Time Charlie's" stores, selling take-out orders of fish, french fries and soft drinks, were opened in southern California. The stores are identified by signs featuring "Charlie the Tuna," a popular character appearing in Star-Kist's TV commercials.

The $1 billion pet food market continued to grow during fiscal 1970. In the cat food segment of this market, Star-Kist's "9-Lives" brand continued to make good progress and "Kitty Burger" varieties were introduced into 40 new markets, resulting in a substantial sales increase for this product line.

Star-Kist operations in Peru were affected by the June, 1970 earthquake that damaged the company's fish meal plant in the Chimbote area. It is expected that the plant will be substantially rebuilt by the time the Peruvian government lifts its annual moratorium on anchovy fishing, so that production losses will be kept to a minimum.

Another Heinz subsidiary, Ore-Ida Foods, Inc., also reported a successful year. New packaging was introduced on a test basis during the year to upgrade the "in-cabinet" appeal of Ore-Ida products to the consumer.

Ore-Ida intensified its new product development effort, using the coordinated teamwork approach that first defines the market and then develops a product for it. Late in the year a new line of frozen french fries was introduced into test markets and won favorable acceptance from the retail grocery trade. Called "Deep Fries," this exclusive new product provides the flavor and crispness of french fries that consumers expect when eating away from home, without the necessity of deep fat frying in the home.

Heinz of Canada introduced 23 new varieties during the year and reported good gains for its product groups, with tomato ketchup reaching a new high in market share. Although a low birth rate kept baby food volume down, there was improvement in the Heinz share of market. Anticipating a rise in births because of a growing population in the marriage age group, the Canadian company developed new baby food labels to enhance the visual attractiveness of the product line. To ensure proper recognition by the French- and English-speaking markets, Heinz extended use of bilingual labels to all product lines.

A strike at the Leamington, Ontario plant was still in progress at the end of the fiscal year.

Facilities

The long-term program to improve efficiency and profitability through modernized and expanded facilities, as well as through additions to the U.S.A. physical plant, moved ahead during fiscal 1970. Expenditures during the year for capital improvements totaled $10.6 million, bringing the five-year total to $50.4 million. To avoid major increases in the price of Heinz products, the emphasis has been, and must continue to be, on obtaining maximum operating efficiency.

Major capital improvements of the year included a new plant at Salem, New Jersey that will result in important savings through greater efficiency, lower storage costs and reduction in inventories. The modernized facility has

Control panel at Ore-Ida's Ontario, Oregon plant. Freezing and packaging areas, destroyed by fire last year, were replaced by ultra-modern facilities, now in operation.

The "Cheryl Marie," fastest, most modern tuna purse seiner afloat, one of several additions to the Star-Kist fleet.

Heinz U.S.A. chefs at work. They made a major contribution to new product development, added to their honors in international competition.

80,000 square feet of floor space, compared with 65,000 in the original structure. The plant, which will greatly reduce seasonal variations in production schedules, went into operation at the end of the fiscal year, in time for the 1970 tomato season.

At the Holland, Michigan pickle and vinegar facility, increased capacity will permit the handling of an additional 350,000 bushels during the fresh pickle season.

At Tracy, California, several major improvements were undertaken, including a new soup-filling facility and storage facilities for an additional one million gallons of tomato paste. A new can-making line went into service at Stockton, California, and new tomato-processing facilities were added at Fremont, Ohio.

In Pittsburgh, a $1.6 million expansion and modernization program is under way. It includes installation of seven giant retort vessels to sterilize glass baby food jars, and equipment to increase production of soups and stews.

One area where considerable savings can be achieved is in the manufacture of containers by the company, replacing outside sources of supply. New cap-making equipment at Pittsburgh, expansion of fruit-juice can-making facilities at Medina, New York, and installation of case-printing facilities at Tracy, California all contributed to our growing self-sufficiency in this area.

Important progress was made in establishing the national distribution network begun two years ago. Using the most modern materials handling techniques and equipment, this network now includes six modern centers in strategic locations from which damage-free delivery to most parts of the country is guaranteed within 48 hours after receipt of the customer's order. During fiscal 1970, a new distribution center was opened in Mechanicsburg, Pennsylvania, and warehouses in Atlanta, Georgia and Arlington, Texas were converted into distribution centers. Another center will be opened in fiscal 1971 at Bridgeview, Illinois to serve the Chicago area and several Midwest states. When the network is completed in 1972, there will be a total of 11 centers at key locations all across the country.

The Star-Kist subsidiary continued its expansion-modernization program at the Terminal Island, California headquarters, as well as at Star-Kist Caribe in Puerto Rico. A new production line for non-tuna "9-Lives" pet food products was opened during the year at Terminal Island. Investment of nearly $3 million for can-making lines at both the California and Puerto Rico locations is expected to achieve significant cost reductions by eliminating purchase of cans from outside suppliers.

On January 31, 1970, at Aberdeen, Washington, groundbreaking began for the nation's first large-scale fish protein concentrate pilot-demonstration plant. The facility, to be completed later in 1970, is being built and will be operated by Ocean Harvesters, Inc., which is jointly owned by Star-Kist and SWECO, Inc., of Los Angeles, under a contract from the U. S. Department of the Interior, Bureau of Commercial Fisheries. The plant will develop production methods for low-cost quality protein to combat malnutrition.

At Ore-Ida, the major undertaking of the year was reconstruction of the freezing and packaging portions of the Ontario, Oregon plant, which were destroyed by fire in July, 1969. The new, ultra-modern facilities went into operation in February, 1970. Ore-Ida will completely rebuild the rest of the original plant, incorporating into the new facility all the advances in frozen food processing and packaging that have been developed in recent years.

Agriculture

Long-term agricultural programs continued to benefit the company in two ways: by increased independence from crop gluts and scarcities, and by leadership in research for better crop strains and more efficient harvesting methods.

For many years it has been Heinz policy to make contracts for major ingredients in advance of the growing season, and to do so with growers throughout the country. Geographical diversification in contracting has brought us close to our goal of having assured supplies even when some areas experience poor harvests. In fiscal 1970, despite unfavorable growing conditions in a number of areas, we achieved 100 percent of our required quantities of all contracted crops.

Mechanical harvesting, more efficient and economical than hand labor, is being used increasingly for Heinz crops. Our California tomato crop is 100 percent machine harvested. During calendar 1970 our cucumber acreage will be 40 percent machine harvested, a sharp rise over previous years. Within a very few years, complete mechanical harvesting of all our requirements in both crops is expected, making us less dependent on increasingly scarce and expensive hand labor.

Progress is being made in new planting methods as well as in harvesting. A dissolvable plastic tape with encapsulated seeds has been developed to permit precision planting in terms of seed spacing and depth. The uniformity of the resulting crops makes them more suitable for mechanical harvesting. The new taped seed method is being used extensively for our California cucumber crop and to a lesser extent for our acreage in the Midwest. The same system is being applied to tomato crops in both northern and southern growing areas.

Advances in bulk handling also have contributed to more efficient and economical agricultural operations. The bulk handling technique makes use of special vehicles that are able to transport large quantities of crops from field to factory, without requiring hand labor to pack the harvest into individual containers. The vehicles can also dump their loads directly into storage areas at the receiving plant without requiring labor for unloading. During fiscal 1970 the percentage of tomatoes received in bulk at our Ohio factories rose to 50 percent, while 18 percent of the California tomato crop was shipped and received in bulk. This economical handling method is also being used increasingly for cucumbers.

Agricultural research facilities were expanded during the year in both Ohio and California.

Heinz laboratories developed two new tomato varieties, one for use in California and one for use in the East, both suitable for mechanical harvesting. Good progress has been achieved also in development of disease-resistant tomato strains and dwarf cucumber hybrids.

Heinz Great American Soups. The popular line added five new varieties last year.

Canadian pickle and relish jars. The company extended use of bilingual labels for all product lines.

Aerial view, Salem, New Jersey. The new plant will result in important savings.

One of the "Good Time Charlie's" stores opened in southern California, marking Star-Kist's entry into the fast food retail field.

A line of french fried potatoes at Ore-Ida's rebuilt facilities in Ontario, Oregon. New and exclusive "Deep Fries" won test market acceptance.

Scene from a recent television commercial. Our leading share of the ketchup market went up for the fifth consecutive year.


Great American Soups
4333
4263
VEGETABLE WITH BEEF STOCK


HEINZ SANDWICH SPREAD
HEINZ BABY DILLS
HEINZ POLSKIE OGÓRKI
HEINZ BREAD 'N BUTTER PICKLES
HEINZ KOSHER STYLE DILL PICKLES CORNICHONS AU FENOUIL
HEINZ SWEET MIXED PICKLES
HEINZ SWEET PICKLE WAFERS
HEINZ BARBECUE SAUCE SAUCE BAR-B-Q
HEINZ MUSTARD MOUTARDE
HEINZ PICCALILLI
HEINZ BARBECUE RELISH RELISH À BARBECUE
HEINZ SWEET RELISH RELISH SUCRÉ
HEINZ HOT DOG RELISH RELISH À HOT DOG


Good-Time Charlie's Fish & Chips
Good-Time Charlie's Fish & Chips
OPEN


HEINZ TOMATO KETCHUP

EXPO'70 日本万国博
人類の進歩と調和
昭和45年3月開会・大阪
ハインツ
トマト ケチャップ
HEINZ
TOMATO
KETCHUP
57 VARIETIES
MADE BY
NICHIRO HEINZ CO., LTD.
TOKYO JAPAN

Latin America and Pacific

- H. J. Heinz Company of Australia Ltd.
- Alimentos Heinz C.A. (Venezuela)
- Nichiro Heinz Company Ltd. (Japan)
- Heinz Alimentos S.A. de C.V. (Mexico)

Poster at Expo '70, Osaka, Japan. Heinz products were featured in more than 50 eating places at this first major Asian international fair.

Marketing

Continued strength in the Australian economy contributed to another profitable year for the Heinz company, although a ban on cyclamates reduced net earnings below last year's record level. The company intensified its efforts in many areas, including consumer research to develop more effective product promotion and packaging.

Heinz either held or strengthened its share of market for seven of eight major variety groups. Baby foods made an excellent showing, reflecting growth in the number of births and increased per capita consumption.

During the year, 37 new products or new varieties of existing lines were introduced for the retail grocery trade, including a number developed for the large and growing youth market. Seven new varieties were added to the Pre-Schooler Food line, ready-to-serve combinations now marketed nationally and well on their way to becoming an established major product category. Heinz is the only company marketing this type of product in Australia.

For the institutional foodservice market, the company introduced 13 new products or new varieties during the year. This market is growing in Australia because of rising consumer incomes and the increase in eating out.

Australia is the only area in the world in which Heinz operations have been affected by governmental action on the use of cyclamates. Legislation by the South Australian Parliament, largely triggered by U.S. federal pronouncements and resulting publicity, required special labeling on products containing cyclamates. This action had a negative impact on the sales of Happy-Ade and Kool-lix soft drink and confection mixes. Increasing sales of other products specially developed for young people are expected to compensate for any change in sales performance of the two product lines involved.

Heinz Alimentos recorded marketing gains in Mexico through new product development and stepped-up promotion of existing products. Special promotion of pineapple juice and tomato juice contributed to sales gains and improved share of market for these products. Pineapple exports were double the volume of the previous year, this product now going to the U.S., Canadian, Spanish and Latin American markets in substantial quantities. At the same time, profitability of the pineapple operations improved significantly as a result of more efficient agricultural and processing technology. Three new fruit and vegetable products were introduced during the year.

Expo '70, Asia's first major international fair, opened in Osaka, Japan at the end of the fiscal year and gave Nichiro Heinz an opportunity to step up its promotional efforts in the Japanese market. More than 50 eating places at Expo are using Heinz products, including ketchup and hot dog sauce and a variety of institutional food products being served by both Japanese and foreign restaurants. Apart from Expo, sales to both the retail and institutional markets increased, evidence of the growing Japanese interest in Western-style foods. Particularly strong growth was registered by condensed and ready-to-serve soups and spaghetti meat sauces. New products introduced during the year were beef curry in a 30-ounce can for smaller restaurants and in a 109-ounce can for mass feeding establishments.

In Venezuela, the market for packaged foods continued its gradual upward trend. The Venezuelan company had a profitable year in the face of increased government regulation and marketing competition. In the latter half of the year, average monthly sales volume of strained foods rose by 38 percent. Ketchup sales gained ground, in spite of serious tomato shortages. The company completely redesigned its labels for strained foods and salads, its most important product lines. The company expanded its advertising programs, particularly for baby foods, with most of the budget going to television advertising.

Facilities

A major investment in improved profitability and efficiency for the Australian company continued during the year as progress was made in installing a computer for electronic data processing. As the company grows, this installation is expected to make a major contribution through simplified and speeded-up operations. Other capital expenditures were for completion of an 80,000-cubic-foot cold storage facility and expansion of executive offices and training facilities.

Capital improvements inaugurated or completed during the year by the Mexican company included a new high-speed filling line for tomato products, completion of the program to consolidate general processing facilities at the Salamanca plant, and replacement of obsolete equipment in several locations.

Agriculture

Among the companies of the Latin America and the Pacific group, the agricultural effort came in two main areas: development of better crop strains and improved harvesting methods.

In Australia, newly-developed firm tomato varieties once again outperformed the softer type previously planted. The firm tomatoes did well even in cold, wet weather. Although the crop was late this year, yields and total receipts were on schedule. New varieties suitable for both hand and machine harvesting on a trial basis were planted in areas of New South Wales.

The Mexican company continued to pioneer in adopting advanced purchasing and growing methods. For the first time, the company contracted for its chili supply in diverse areas to overcome dependence on local weather conditions. The problems that resulted from generally poor chili crops during 1969 should be minimized in the future through this policy of "geographical spread." Another first during the fiscal year was machine harvesting of the pea crop, involving not only use of advanced equipment but also technical assistance to the growers. The hormone application program that resulted in doubling the pineapple harvest season a year ago was continued, and once again the season was extended to eight months. A research station for pineapple and other tropical fruits was established during the year, as well as research programs for other crops not previously subject to scientific study. Another area of progress was introduction of bulk handling of tomatoes as part of a program to reduce tomato processing costs.

In Venezuela, the company embarked on a program to grow tomatoes in various areas, relieving its dependence on stake-planted tomatoes that command high prices during the rainy season. To date, the project has developed well, and should be extended on a larger scale in the next planting season.

This page: *Part of the Tokyo sales team. The trucks bear the new Heinz corporate symbol.*

Sequence of four photographs showing progress of Mexican pineapples from blossom to packaged product. We established a research station in Mexico for tropical fruits.

Venezuela baby food packages—old and new.

Opposite page: *Chairman Henry J. Heinz II at a tasting session in Australia. We introduced 37 new products or new varieties of existing products for the "down under" retail grocery trade.*

Mexican supermarket display. Heinz Alimentos recorded good gains through new product development, stepped-up promotion.

Japanese chef with one of the popular, new Heinz restaurant pack entree dishes. Sales last year showed increasing Japanese interest in Western-style foods.

Customers reaching for "Pre-Schooler" foods, an exclusive product for Heinz-Australia.


Karo
una botella gratis
TOME JUGO A DIARIO
DEL FUERTE
UNA VA POR NOSOTROS
OFERTA


ハインツ
ビーフカレー
HEINZ
BEEF CURRY


NEW Heinz Pre-Schoolers Food
make every mealtime happier
SUMMER FESTIVAL


GRATUIT!
un couteau à steak
à l'achat d'une bouteille de
KETCHUP HEINZ
"Family Size"

Europe

- H. J. Heinz Company Ltd. and subsidiaries (Great Britain)
- H. J. Heinz N.V. (The Netherlands)
- Industrias de Alimentacao Limitada (Portugal)
- Societa del Plasmon S.p.A. (Italy)

A happy, well-fed subject of the Queen. Heinz-Great Britain retained its dominant position in market shares, with baby food's standing at a new high.

Belgian supermarket display. We strengthened our position in the Common Market countries.

Tomato harvesting in Portugal. Bad weather affected the growing and harvesting season.

Marketing

Although Great Britain's economy showed encouraging signs of recovery last year, that nation's food processing industry did not share in the upswing, as 12 major companies in the field reported drops in earnings. Primary reasons for the industry's decline included the impact of inflation, wage-and-price controls, and high interest costs; and unrelenting pressure from chain stores, which sought to preserve their high profit levels by means of special deals, private labeling and other measures.

In light of this poor performance for the industry in general, it is all the more heartening to note that Heinz-Great Britain showed a modest improvement.

Internal growth benefited from new product development, intensified marketing with heavy promotional support, and a company-wide effort to improve profitability through careful examination of every phase of operations.

New acquisitions during fiscal 1970 included W. Darlington & Sons, mushroom growers and mushroom spawn producers, who in turn acquired another mushroom grower, Agaric Limited. These companies, like those acquired earlier, were selected because they give Heinz a broader base in the food products field and fit logically into plans for future growth.

Consolidation was the theme of the year, as Pickerings Foods Ltd., a wholly-owned subsidiary, took control of previously acquired Fisons Foods, Samor Pure Foods, Moss Waltham & Co., J.G. Read, and Lowercroft Warehouses Ltd.

Real benefits of these acquisitions and consolidations—among them, improved materials costs, inventory control, and lightening of management burdens along the entire line—should figure even more strongly in fiscal 1971 performance.

Equally important are certain management measures announced by Anthony J.F. O'Reilly, who became managing director of the British company in May, 1969. Fundamental changes instituted last year included a methodology for extremely close inspection of all costs; the elimination of all activities judged insufficiently productive; a thorough reexamination of the company's functions and organization; coordination of heterogeneous acquisitions and their integration into total company functions; and organization of a New Product Development Division, with stress on the assignment of high-caliber people reporting directly to the managing director and holding specific responsibilities for which they must account on a regular basis. Introductions included six soup varieties, 12 baby food varieties, and additions to the pickle, sandwich spread and salad cream lines.

Market shares for the company's seven major product lines continued their dominant position in the 55-95 percent range, with all lines either holding firm or improving their market positions. Soups registered a strong sales gain over the year earlier and are currently at the highest market share in the U.K. canned soup market. Sales of salad cream were the highest ever, exceeding even budget expectations. Market dominance in baby foods rose to a new high, with volume up in spite of a static total market due to a sharp drop in the birth rate. Sales of beans went up after a slight decline. Sales rose also for ketchup, pickles and spreads.

Much of the credit for this favorable showing must be attributed to continued heavy and effective use of television, print and other media to promote Heinz products. As in past years, that effort won the recognition of professionals at home and abroad. The Heinz "Souperman" poster won the much-respected first award of the Council of Industrial Design, the 11th poster award conferred on the company since 1965. The International Council of Industrial Editors presented its Award of Excellence to the company's house organ, "57 News."

The British company's chefs added to their many laurels. Victor Bard won a trophy and gold medal at the International Hotel and Catering Exhibition in London. Maurice Teso won a challenge cup and gold medal at the International Gastronomic Festival, Torquay, England.

Significant progress was made by Heinz-Britain during FY 1970 in the rapidly growing institutional foodservice market (called "catering" in Great Britain). Britons, too, are eating away from home more frequently. Institutional foodservice sales rose by a dramatic 50 percent during the year, thanks

largely to the efforts of the company's 100-man sales force. Heinz offers the catering trade a full range of canned foods and, in association with Heinz-Erin Ltd., a wide selection of freeze-dried and dehydrated products.

Last year Heinz World Headquarters announced the establishment of a management team to supervise manufacturing and marketing activities within the nations of the European Economic Community (EEC, or Common Market). That group has made it possible for us to exert a stronger effort in this area than ever before. It has expanded our sales and distribution organization in Germany and has strengthened our marketing organization in the Netherlands. It is expected to produce continuing benefits as it becomes able to devote more time, attention and planning effort to the area.

The new operation's most immediate impact has been seen in the Netherlands, where our sales went up by 25 percent. More aggressive marketing, along with continued strength in the Dutch and German economies, helped to make this record possible. Both retail grocery and institutional sectors showed improvement. Ketchup sales were particularly strong, rising by 30 percent. Items launched during the year included sauces and hot snack products for the institutional market, and baked bean, salad and pudding sauce varieties for the grocery trade.

The Dutch company took firm and effective measures to meet rising costs, increased prices, and product price rises necessitated by the government's introduction of an added value tax system. The company added warehouse space and began installation of two new lines to increase production of beans, soups, snacks, salads and other varieties.

Results of our operations in Portugal were disappointing. Unfavorable weather conditions prevailed during much of the growing and harvesting season, resulting in the poorest tomato crop in history. Yields were below normal and costs were high. Domestic sales of products under the Guloso brand name continued to grow, keeping pace with the expanding market.

Desil, a separate company established in Portugal last year as a joint venture of Heinz and Gentry Corporation, Fairlawn, N.J., put a dehydration plant into operation at Vila Franca, where production of dehydrated parsley and green and red peppers has now begun.

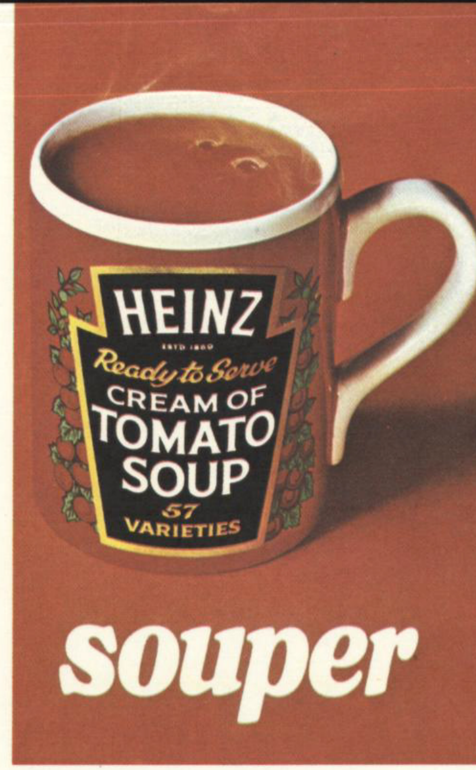
Despite unsettled conditions in the nation's economy, the Plasmon subsidiary in Italy reported a good year, with prices stabilized considerably at the marketing level. Marketing activity was accelerated with the launching of "Pears and Biscuits al Plasmon," a new strained variety; Plasmolac, a new powdered milk for babies that was developed last year but not marketed until fiscal 1970; a new version of rusk that stays fresh longer; and "double pack" pastina, a dietetic product for babies. New products and established lines both fared well, with the sharpest sales gains registered by the "bebifrutt" product line.

Facilities

During the past five years, Heinz-Great Britain has spent $30.2 million to expand and modernize its operations in the interest of still greater efficiency. The work continued in fiscal 1970. Operations at Harlesden, already thoroughly modernized as a result of major capital expenditures, were further improved through installation of new shrink-wrapping equipment for salad cream, can-making equipment, and water-cooling facilities. Kitt Green added new automatic batching and handling systems, along with a new canned baby food line, while ready-to-serve and condensed soup lines were converted to handle new varieties. Among the year's improvements at the Standish factory were shrink-wrapping facilities, modern loading-unloading and labeling-packaging facilities, and new ketchup processing equipment.

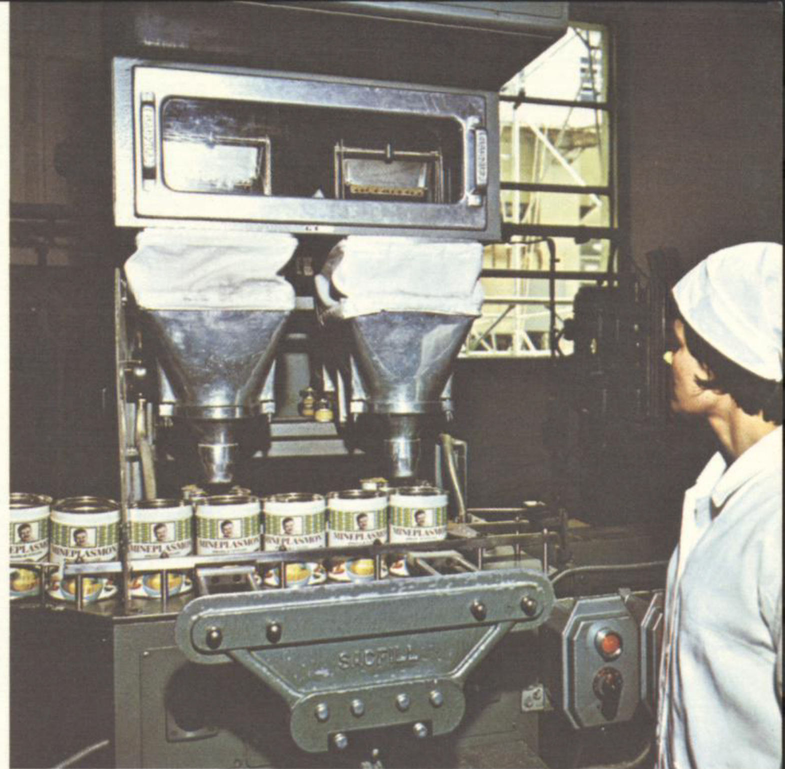
The British company initiated a number of money-saving techniques during the year. Two examples were the use of shrink-wrap palletized loads for tomato paste shipped from Portugal and the application of containerization methods for beans coming from North America.

In Portugal, installation of a fourth evaporator increased the capacity of the



A British "hoarding." The British company won its 11th poster award since 1965.

A Portuguese poster. Domestic sales of Guloso products continued to grow in an expanding market.



Laboratories of W. Darlington & Sons, mushroom growers and mushroom spawn producers, acquired last year.

Italian filling line. Plasmon reported a good year in spite of the unsettled national economy.

An Irish colleen with dehydrated foods produced for marketing by Heinz-Erin Ltd., which had an excellent sales year.

Plasmon display. The Plasmon subsidiary accelerated its marketing activities.

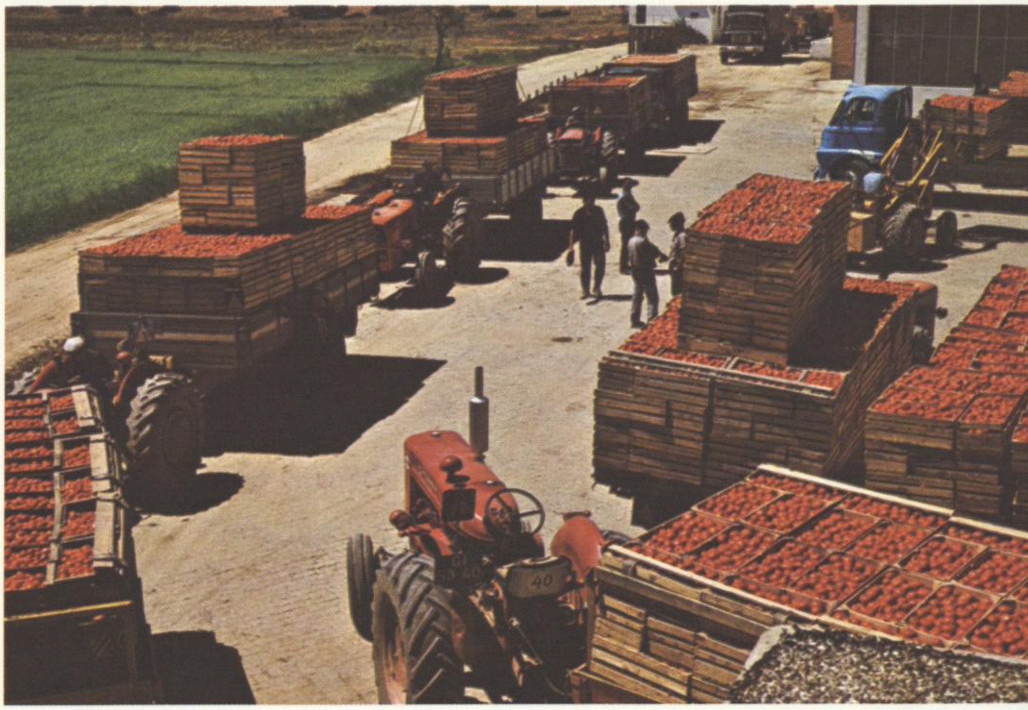
Benavente plant to 1,900 tons of fresh tomatoes daily.

Italy's Latina plant was completed and put into operation on January 1, 1970. One of the largest and most modern of its type in Europe, this plant will greatly increase Italian production capacity.

Agriculture

Development of new sources of supply, often with technical assistance to overseas growers, marked the British company's agricultural activities during the year. In Morocco, first-year growing trials for tomatoes were successfully completed. Sources of supply were expanded in Greece and Turkey, where Heinz experts provided technical assistance to increase future tomato production. In Rumania and Tanzania, the company worked with government ministries to develop test sites for production of navy beans. At home in the United Kingdom, the emphasis was on improved vegetable crops, such as cauliflower, onions and asparagus. The company also worked to develop more efficient shipping and handling methods.

In Portugal, Heinz continued the activities that have earned it a reputation as the "founding father" of that country's modern-day tomato culture. This program of assistance and cooperation has seen Portugal's position grow to the point where it is now the world's foremost exporter of tomato paste and the leading supplier to the important United States, British and Canadian markets. During fiscal 1970, Heinz expanded the agricultural research station in Portugal for development of new tomato varieties and vegetables suitable for dehydration. Seven new tomato varieties were introduced, including four of exceptional firmness and color, suitable for processing as canned, peeled tomatoes. These developments were furthered by the assistance of a Heinz specialist sent from Australia in continuing evidence of the world-wide application of Heinz agricultural research.



Agricultural researcher examining cabbage plants in Great Britain. The British company emphasized improved vegetable crops at home, worked to develop new supply sources abroad.

Portuguese tomatoes. Heinz is credited with helping to make Portugal the world's foremost exporter of tomato paste.

A Dutch supermarket. Our sales in the Netherlands went up by 25 percent.

H. J. Heinz Company and Consolidated Subsidiaries

Summary of Changes in Working Capital

	Fiscal year ended Apr. 29, 1970	Apr. 30, 1969
Additions:		
Net income	**$ 32,570,838**	$ 28,476,106
Depreciation	**17,466,780**	15,657,999
Other charges to operations not requiring working capital	**5,296,108**	4,784,428
Total from operations	**55,333,726**	48,918,533
Long-term borrowings	**5,130,555**	4,072,880
Issuance of 1,500,000 shares of common stock, net of related expenses	**44,129,807**	—
	104,594,088	52,991,413
Deductions:		
Additions to plant and equipment	**41,910,175**	31,167,637
Less Retirements and disposals	**5,118,023**	2,145,626
	36,792,152	29,022,011
Amortization of long-term debt	**6,332,218**	5,530,791
Dividends paid	**12,208,155**	10,693,260
Other items, net	**2,960,384**	5,161,535
	58,292,909	50,407,597
Working capital increase	**$ 46,301,179**	$ 2,583,816

See accompanying notes to financial statements.

H. J. Heinz Company and Consolidated Subsidiaries

Consolidated Balance Sheet

Assets

	Apr. 29, 1970	Apr. 30, 1969
Current assets:		
Cash and short-term investments	**$ 37,560,827**	$ 23,609,011
Accounts and notes receivable:		
Trade	**89,851,335**	78,117,431
Sundry	**10,455,660**	8,949,151
	100,306,995	87,066,582
Inventories—at cost or market, whichever lower:		
Finished goods	**174,069,074**	164,654,761
Work in process	**13,154,673**	10,298,963
Ingredient and packaging materials	**68,335,369**	66,276,800
	255,559,116	241,230,524
Prepaid insurance, supplies, taxes and sundry	**12,469,359**	9,648,795
Total current assets	**405,896,297**	361,554,912
Investments and other assets:		
Investments in and advances to partnerships (at approximate equity), unconsolidated subsidiaries and other companies (at cost)	**4,527,659**	3,985,123
Advances and loans, less allowance for losses	**3,570,325**	3,570,914
Excess of investments in consolidated subsidiaries over net assets at acquisition	**10,830,625**	6,616,889
Miscellaneous other assets	**8,309,263**	9,266,685
	27,237,872	23,439,611
Property, plant and equipment—at cost (Note 3):		
Land	**12,078,379**	11,621,666
Buildings and leasehold improvements, less accumulated depreciation of $34,556,470 ($32,092,160 in 1969)	**90,935,819**	85,643,207
Equipment, boats and fixtures, less accumulated depreciation of $112,170,151 ($100,283,832 in 1969)	**129,184,363**	118,023,147
Lug boxes, baskets and pallets, less amortization	**4,209,511**	2,841,955
	236,408,072	218,129,975
	$669,542,241	$603,124,498

See accompanying notes to financial statements.

Liabilities and Shareholders' Equity

	Apr. 29, 1970	Apr. 30, 1969
Current liabilities:		
Notes payable and loans on open credit (including portion of long-term debt due within one year)	$ 81,481,193	$ 92,694,071
Accounts payable and accrued expenses	78,694,932	69,785,634
Federal and foreign income taxes	15,687,772	15,343,986
Total current liabilities	175,863,897	177,823,691
Long-term debt and other liabilities:		
Long-term debt (Note 2)	99,538,462	101,045,125
Liabilities under incentive profit sharing plans, less portion payable within one year	10,575,681	11,432,382
Deferred Federal and foreign income taxes (Note 3)	8,647,794	5,741,515
Future foreign taxes on income	10,107,431	9,930,790
Sundry	5,403,541	4,679,124
	134,272,909	132,828,936
Reserves applicable to international operations:		
For possible currency devaluations	1,000,000	1,000,000
For possible foreign currency translation losses	426,623	198,085
	1,426,623	1,198,085
Minority interests	14,409,090	13,963,647
Shareholders' equity:		
Cumulative preferred stock—authorized 138,859 shares—par value $100 per share—issuable in series:		
3.65% series—authorized 38,859 shares—issued 38,859 shares (Note 4)	3,885,900	4,438,200
Second cumulative preferred stock—authorized 119,203 shares—par value $18.50 per share (having an involuntary liquidation value of $100 per share or $10,851,100 based on shares outstanding)—issuable in series:		
$3.50 first series—authorized 72,451 shares—issued 72,451 shares (Note 4)	1,340,344	1,807,321
$3.50 second series—authorized 44,997 shares—issued 36,060 shares (Notes 4 and 5)	667,110	1,345,209
Common stock—authorized 20,000,000 shares—par value $4.16⅔ per share—outstanding 14,419,889 shares (Notes 4 and 5)	60,082,870	52,382,758
Additional capital	53,141,345	13,247,181
Retained earnings (Note 2)	224,452,153	204,089,470
	343,569,722	277,310,139
	$669,542,241	$603,124,498

H. J. Heinz Company and Consolidated Subsidiaries

Statement of Consolidated Income

	Fiscal year ended Apr. 29, 1970 (52 Weeks)	Apr. 30, 1969 (52 Weeks)
Net sales	**$881,171,129**	$790,146,235
Cost of products sold	**565,767,557**	506,013,398
Gross profit	**315,403,572**	284,132,837
Selling, general and administrative expenses, including provision for management incentive plan of $1,880,870 ($1,705,947 in 1969)	**249,557,572**	228,164,514
Operating profit, after provision for depreciation of $17,466,780 ($15,657,999 in 1969) (Note 3)	**65,846,000**	55,968,323
Other income, net	**2,721,517**	3,076,331
	68,567,517	59,044,654
Interest and amortization of debt discount and expense	**13,481,850**	11,503,534
	55,085,667	47,541,120
Provision for Federal and foreign taxes on income (Note 3)	**21,599,083**	18,367,870
	33,486,584	29,173,250
Deduct Income applicable to minority interests	**915,746**	756,634
Net income before extraordinary items	**32,570,838**	28,416,616
Extraordinary items:		
Reduction in liabilities under terminated management profit sharing plan	—	1,859,490
Provision for possible foreign currency devaluations	—	(1,000,000)
Provision for estimated loss (after estimated tax benefits of $800,000) upon disposal of certain operating properties	—	(800,000)
	—	59,490
Net income	**$ 32,570,838**	$ 28,476,106
Income per common share based on average shares outstanding (Note 7):		
Before extraordinary items	**$2.41**	$2.28
Extraordinary items	—	.01
Net income	**2.41**	2.29
Income per common share, assuming full dilution (Note 7):		
Before extraordinary items	**2.33**	2.13
Extraordinary items	—	—
Net income	**$2.33**	$2.13

See accompanying notes to financial statements.

Statements of Consolidated Additional Capital and Retained Earnings

Heinz

	Fiscal year ended Apr. 29, 1970	Apr. 30, 1969
Additional Capital		
Amount at beginning of year	**$ 13,247,181**	$ 9,502,347
Excess of offering price over par value of 1,500,000 common shares issued, net of related expenses	**37,879,807**	—
Excess of market value over par value of common shares issued to management incentive plan participants	**189,617**	—
Excess of option price over par value of common shares issued under employees' incentive stock option plans (Note 5)	**1,437,795**	1,527,526
Excess of par value over cost of cumulative preferred stock retired	**259,780**	104,907
Excess of par value over cost of preference stock retired (British subsidiary)	**64,807**	49,161
Excess of par value of preferred shares over par value of common shares issued in exchange therefor	**66,772**	41,717
Excess of market value over par value of common shares issued to participants of terminated management profit sharing plan	**—**	2,085,711
Other	**(4,414)**	(64,188)
Amount at end of year	**$ 53,141,345**	$ 13,247,181
Retained Earnings		
Amount at beginning of year	**$204,089,470**	$186,306,624
Add Net income	**32,570,838**	28,476,106
	236,660,308	214,782,730
Deduct Dividends paid:		
On preferred stock:		
3.65% series	**154,723**	168,083
$3.50 series	**480,051**	1,018,790
	634,774	1,186,873
On common stock—$.88 per share; 1969—$.79½	**11,573,381**	9,506,387
	12,208,155	10,693,260
Amount at end of year	**$224,452,153**	$204,089,470

See accompanying notes to financial statements.

Notes to Financial Statements

April 29, 1970

(1) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all significant domestic and foreign subsidiaries. Consolidated net assets were in companies located as follows:

	Apr. 29, 1970	Apr. 30, 1969
Western Hemisphere:		
United States and its possessions ..	$188,389,236	$132,941,330
Other	43,815,328	36,746,515
	232,204,564	169,687,845
Eastern Hemisphere:		
British Commonwealth	86,190,056	84,076,915
Other	25,175,102	23,545,379
	111,365,158	107,622,294
	$343,569,722	$277,310,139

Accounts of foreign subsidiaries have been translated at appropriate exchange rates. Realization in U. S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. No provision has been made for U. S. or foreign income taxes which may become payable when earnings of foreign subsidiaries are remitted as dividends; as to those subsidiaries where it is contemplated that earnings will be remitted, the credit for foreign taxes already paid generally offsets applicable U. S. income taxes. Operating accounts were translated at average rates of exchange prevailing during the fiscal year. Net unrealized gain on foreign exchange has been credited to the reserve for foreign currency translation losses. Of the consolidated net income for the year, $15,196,295 originated from subsidiaries located outside the United States and its possessions; dividends received by the Company from such subsidiaries during the year aggregated $10,706,381.

Accountants' Report

The Shareholders
H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and consolidated subsidiaries as of April 29, 1970 and the related statements of income, additional capital and retained earnings and the summary of changes in working capital for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of certain subsidiaries, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. Net assets and net sales of such subsidiaries constitute approximately 23% and 24%, respectively, of the related consolidated figures.

In our opinion, based on our examination and the aforementioned reports of other independent public accountants, the accompanying consolidated balance sheet and statements of consolidated income, additional capital and retained earnings present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries at April 29, 1970 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying summary of changes in working capital for the fiscal year ended April 29, 1970 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

1032 Henry W. Oliver Building
Pittsburgh, Pa. 15222

June 18, 1970

(2) Long-term debt:

Details of long-term debt at April 29, 1970 follow:

	Interest per cent	Maturity (fiscal year)	Portion due Non-current	Current
Company:				
Promissory notes ..	4½	1971-74	$13,000,000	$2,000,000
Promissory notes ..	5¼	1971-84	13,000,000	1,000,000
Promissory notes ..	6⅝	1979-93	40,000,000	—
Mortgages	6	1971-75	516,767	194,020
			66,516,767	3,194,020
Subsidiaries:				
Promissory notes:				
Australia	4¼	1971-76	6,024,203	261,268
Canada	4½	1971-74	2,250,000	375,000
England	to 9	1971-74	2,287,566	2,178,358
Italy	to 4	1974-84	3,299,360	—
Mexico	to 6	1971-76	3,015,000	1,220,000
Other	to 9	1971-72	464,463	1,326,976
Debentures—				
England	to 6	1971-85	8,375,031	189,296
Mortgages and contracts:				
Domestic	to 6½	1971-2001	6,779,872	668,211
Other	to 9	1977-80	526,200	—
			33,021,695	6,219,109
			$99,538,462	$9,413,129

Among other restrictions, the agreements relating to the promissory notes of the Company contain provisions against the payment of dividends by the Company upon its common stock (otherwise than in its common stock) if such dividends, together with purchases, payments into the sinking fund and dividends on its presently authorized preferred stock and amounts expended by the Company or any subsidiary for purchase, redemption, retirement or other acquisition of any class of the Company's stock, since May 3, 1967, would exceed the total of the net proceeds to the Company for issues of shares of stock, plus $18,000,000, plus the consolidated net income since May 3, 1967. At April 29, 1970, retained earnings of $116,000,000 were not thereby restricted.

(3) Depreciation and deferred income taxes:

For financial statement purposes depreciation of property, plant, and equipment is provided generally on the straight line basis, whereas for income tax purposes certain equipment is depreciated under accelerated methods. Income taxes applicable to the excess of depreciation used for tax purposes over that provided for financial statement purposes and other differences between taxable income and that reported for financial statement purposes amounted to $2,324,478 in fiscal 1970 and is included in deferred Federal and foreign income taxes in the balance sheet.

(4) Capital stock:

The number of shares outstanding, issued, retired, or converted, and the par values are as follows:

	Preferred stocks			
		Second cumulative preferred		
	Cumulative preferred, 3.65% series, $100 par	$3.50 First series, $18.50 par	$3.50 Second series, $18.50 par	Common stock, $4.16⅔ par
Outstanding April 30, 1969.	44,382	97,693	72,714	12,571,862
Reacquired and retired ...	(5,523)	—	—	—
Converted to common stock	—	(25,242)	(36,654)	—
Issued for second cumulative preferred stock:				
$3.50 first series	—	—	—	112,177
$3.50 second series	—	—	—	146,616
Issued on exercise of stock options	—	—	—	83,200
Issued to public	—	—	—	1,500,000
Issued under management incentive plan	—	—	—	6,034
Outstanding April 29, 1970.	38,859	72,451	36,060	14,419,889

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. A payment, not exceeding $200,000, is required to be made to the sinking fund on or before October 1 of each year.

The $3.50 first series second cumulative preferred stock is convertible into common stock at any time prior to June 1, 1973 at an initial conversion rate of 200/45 shares of common stock and may be redeemed by the Company to May 31, 1970 at $102.00 per share and at decreasing prices thereafter. On or before August 1, 1973, and on or before each August 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on June 1, 1973. Cumulative arrearages as to such retirements are permissible in the event that consolidated net income, less certain deductions, is less than the amount necessary to pay in full all requirements to retire shares of all series of the second preferred stock.

The $3.50 second series second cumulative preferred stock is convertible into common stock at any time prior to February 1, 1976 at an initial conversion rate of four shares of common stock and may be redeemed by the Company from February 1, 1971 to and including January 31, 1972 at $102.50 per share and at decreasing prices thereafter. On or before April 1, 1976, and on or before each April 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on February 1, 1976. Cumulative arrearages as to such retirements are permissible to the same extent as that enumerated above regarding the $3.50 first series second cumulative preferred stock.

At April 29, 1970, there were authorized, but unissued, 250,000 shares of third cumulative preferred stock of the par value of $100.00 per share.

At April 29, 1970, 757,338 shares of common stock were reserved for conversion of second cumulative preferred stock outstanding or issuable under a stock purchase warrant and for outstanding options or for the granting of options under the employees' stock option plan.

(5) Employees' stock option plans and stock purchase warrant:

The qualified employees' incentive stock option plan, adopted in 1965, permits the granting of options on shares of common stock of the Company at not less than the fair market value at the time the options are granted. The options are exercisable at any time within five years from the date of grant but no later than July 9, 1975, the expiration date of the plan. During the fiscal year, options to purchase 32,300 shares were granted and options for 3,400 shares were exercised at prices of $22.00 and $23.25 per share. At April 29, 1970, options to purchase 128,100 shares at prices ranging from $17.75 to $36.75 per share were outstanding under this plan and 61,700 shares were reserved for the granting of additional options.

The original employees' incentive stock option plan, adopted in 1960 and amended in 1964, expired on March 11, 1970. This plan permitted the granting of options on shares of common stock of the Company at not less than fair market value. During the fiscal year, no options were granted, options for 16,600 shares expired, and options for 79,800 shares were exercised at prices ranging from $13.65⅔ to $25.30 per share.

A stock purchase warrant, assumed by the Company in the acquisition of a subsidiary, provides for the acquisition by the warrant holder of 65,546 shares of common stock and 8,937 shares of $3.50 second series second cumulative preferred stock of the Company at an aggregate purchase price of $1,260,905 and is exercisable until October 15, 1970.

(6) Retirement systems:

The Company and its domestic and foreign subsidiaries have several pension plans covering substantially all employees. The total pension expense for the fiscal year was $4,012,867 which includes, as to certain plans, amortization of prior service costs over varying periods not exceeding forty years. It is the policy of the Company and its subsidiaries to fund pension costs as accrued.

(7) Income per share:

Income per common share has been computed by dividing net income applicable to common stock by the weighted average number (13,252,859) of shares of common stock outstanding during the year. Income per share, assuming full dilution has been determined on the assumption that the second cumulative preferred stock outstanding during each year had been converted into common shares at the beginning of each year and the related dividends eliminated, and that stock options and the stock purchase warrant had been exercised and the proceeds used to reacquire common stock. Income per share, assuming full dilution for the fiscal year ended April 30, 1969 has been restated to conform with the guidelines set forth in Opinion No. 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants, which opinion was effective for fiscal periods beginning after December 31, 1968.

Income per common share for 1970 would have been $2.34 if the sale of 1,500,000 common shares had taken place on May 1, 1969 and had the proceeds been used to retire short-term debt.

(8) Other matters:

Certain claims filed against the Company and certain of its subsidiaries have not been finally adjudicated. In the opinion of management, such claims, when finally determined, will have no material adverse effect on the consolidated financial statements.

Contracts and purchase orders approximating $12,000,000 have been executed in connection with plant construction.

Certain amounts shown for 1969 have been restated to conform to 1970 classifications.

10-Year Financial Summary

In Thousands of Dollars Except Per Share Data

Fiscal Year	**1970**	1969	1968	1967
Net Sales	**$881,171**	$790,146	$734,365	$690,863
Income before Taxes	**55,086**	47,541	45,254	37,031
Taxes on Income	**21,599**	18,368	18,969	14,476
Income before Extraordinary Items	**32,571**	28,417	25,274	21,530
Extraordinary Items	**—**	59	(1,910)	—
Net Income	**32,571**	28,476	23,364	21,530
Dividends Paid:				
Preferred	**635**	1,187	1,512	1,535
Common	**11,573**	9,506	7,718	6,839
Retained Earnings	**20,363**	17,783	14,134	13,156
Additions to Plant and Equipment	**41,910**	31,168	28,884	31,887
Depreciation	**17,467**	15,658	14,817	13,646
Net Plant and Equipment	**236,408**	218,130	205,677	198,157
Working Capital	**230,032**	183,731	181,147	140,680
Long-Term Debt	**99,538**	101,045	103,083	69,594
Shareholders' Equity	**343,570**	277,310	255,392	240,549
Per Share of Common Stock (4)				
Income before Extraordinary Items	**2.41**	2.28	2.07	1.76
Extraordinary Items	**—**	.01	(.16)	—
Net Income	**2.41**	2.29	1.91	1.76
Income, Assuming Full Dilution (5)				
Income before Extraordinary Items	**2.33**	2.13	1.90	1.63
Extraordinary Items	**—**	—	(.14)	—
Net Income	**2.33**	2.13	1.76	1.63
Dividends	**.88**	.79½	.67½	.60
Retained Earnings	**1.53**	1.49½	1.23½	1.16
Book Value (6)	**22.80**	20.35	18.53	17.27
Average Common Shares Outstanding (7)	**13,252,859**	11,930,741	11,487,092	11,402,438
Number of Common Shareholders	**11,047**	9,853	9,813	10,767
Price of Common Shares				
High	**39.0000**	36.0000	25.3750	20.5625
Low	**28.2500**	23.5000	17.0625	13.8750

(1) 1965 and 1966 figures include, on pooling of interest basis, Ore-Ida Foods, Inc., acquired in October, 1965.

(2) Includes $454,526 paid to former owners of Ore-Ida Foods, Inc.

(3) Includes $623,467 stock and $147,639 cash paid to former owners of Ore-Ida Foods, Inc.

(4) Adjustments have been made for prior years to give effect to the 2-for-1 stock split in February, 1969.

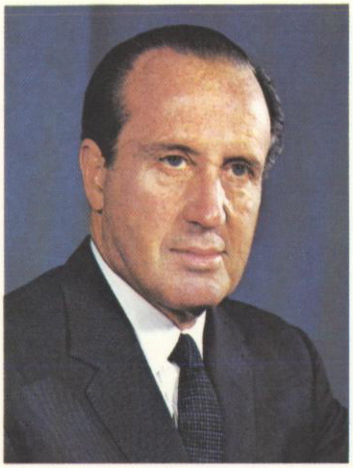
(5) Based on the assumption that all second cumulative preferred stock outstanding at the beginning of each year had been converted into common stock at the beginning of each year and that the weighted average number of common shares resulting from conversions during the period (included in the weighted average number of shares outstanding at the end of the period) and related dividends on such preferred stock have been eliminated. It is further assumed that the stock options and stock purchase warrant exercisable at the end of each period were exercised at the beginning of each year and that the proceeds therefrom were utilized to reacquire common stock at a price equal to the higher of the market price at each period end or the average for such period.

(6) After deducting $100 per share for second cumulative preferred stock outstanding, representing the involuntary liquidation price.

(7) Shares outstanding at year end for 1968 and prior years, adjusted for stock splits.

1966(1)	1965(1)	1964	1963	1962	1961
$620,263	$556,267	$488,211	$464,215	$375,810	$365,990
35,393	34,711	28,751	25,701	32,644	29,092
13,998	14,370	13,137	12,551	17,645	14,684
20,304	19,219	14,549	12,364	14,166	13,615
—	—	—	—	—	—
20,304	19,219	14,549	12,364	14,166	13,615
1,362	1,229	1,158	237	238	255
7,062(2)	6,073(3)	5,276	5,256	5,209	4,405
11,880	11,917	8,115	6,871	8,719	8,955
25,549	25,461	20,509	16,135	12,850	13,524
12,947	10,521	9,179	7,925	6,574	6,276
181,738	172,639	145,552	130,826	118,124	111,727
144,000	144,790	137,564	130,590	119,713	114,007
70,534	75,194	68,073	51,597	49,285	51,252
227,333	216,441	193,687	184,876	158,996	145,789
1.65	1.55	1.27	1.15	1.33	1.31
—	—	—	—	—	—
1.65	1.55	1.27	1.15	1.33	1.31
1.53	1.45	1.21	1.03	1.32	1.30
—	—	—	—	—	—
1.53	1.45	1.21	1.03	1.32	1.30
.60	.50	.50	.50	.50	.43⅓
1.05	1.05	.77	.65	.83	.87⅔
16.12	15.06	15.02	14.24	14.52	13.64
11,397,738	11,384,220	10,572,592	10,516,260	10,502,260	10,197,160
10,658	8,156	6,983	6,406	6,401	5,881
24.6875	27.2500	25.3125	26.9375	36.3750	35.6250
19.3125	18.0625	18.1250	17.0000	26.1250	13.0000

World Headquarters Officers

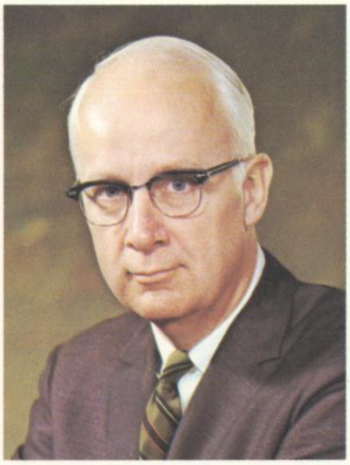

Henry J. Heinz II

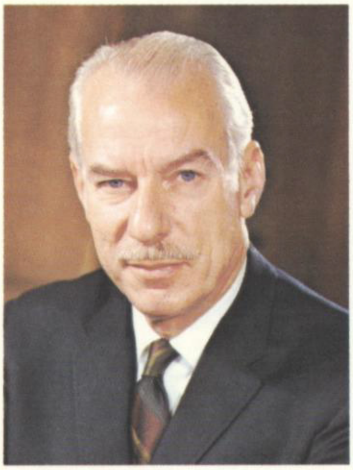

R. Burt Gookin

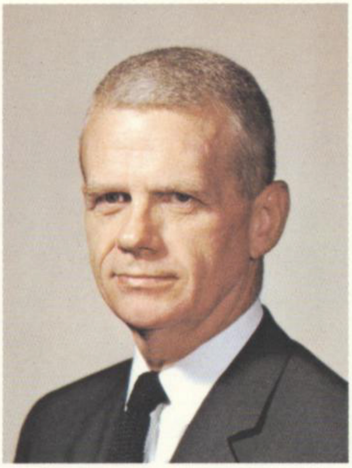

Junius F. Allen

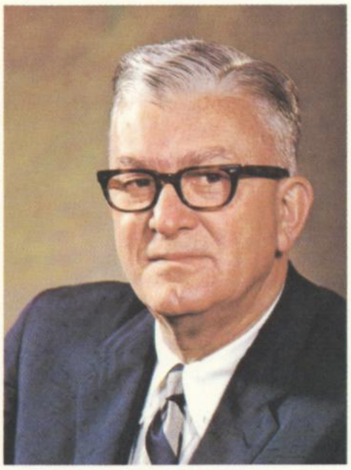

Frank M. Brettholle


John A. Connell


John E. Crossen


Ralph W. Hunter


Donald C McVay


William D. Mewhort


S. Donald Wiley

Heinz

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President
and Chief Executive Officer

Junius F. Allen
Senior Vice President—Europe

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President, Star-Kist Foods, Inc.

John A. Connell
Senior Vice President—North America

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Senior Vice President—Latin America and Pacific

Norman E. Daniels
President, Heinz U.S.A. Division

Vira I. Heinz
Civic Leader and Trustee,
Howard Heinz Endowment

Ralph W. Hunter
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President, Bankers Trust
New York Corporation
New York, New York

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Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

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Corporate Development

William D. Mewhort
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Pittsburgh, Pennsylvania

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Senior Vice President—Finance

S. Donald Wiley
Vice President and
General Counsel

Richard M. Wilson
Treasurer

*Member of the Executive Committee

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Morgan Guaranty Trust Company of
New York, New York

Pittsburgh National Bank
Pittsburgh, Pennsylvania

Transfer Agents

First National City Bank
New York, New York

Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

Dividend Disbursing Agent

Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

Auditors

Peat, Marwick, Mitchell & Co.
Pittsburgh, Pennsylvania

Stock Listing

New York Stock Exchange
Ticker Symbol HNZ

World Locations

World Headquarters

P. O. Box 57
Pittsburgh, Pa. 15230

North America

Heinz U.S.A. Division
Pittsburgh, Pa.
Norman E. Daniels, President

Factories:
Salem, N. J.
Chambersburg, Pa.
Pittsburgh, Pa.
Winchester, Va.
Fremont, Ohio
Bowling Green, Ohio
Holland, Mich.
Lakeview, Mich.
Muscatine, Iowa
Tracy, Calif.
Stockton, Calif.

Star-Kist Foods, Inc.
Terminal Island, Calif.

Wholly-owned subsidiary;
acquired in 1963.
Joseph J. Bogdanovich, President

Factories
Terminal Island, Calif.
Ilo, Peru
Coishco, Peru
Pago Pago, American Samoa
Mayaguez, Puerto Rico

Cold Storage Stations:
Senegal
Ghana
Liberia
Republic of the Congo
Paita, Peru

Ore-Ida Foods, Inc.
Boise, Idaho

Wholly-owned subsidiary;
acquired in 1965.
Robert K. Pedersen, President

Factories:
Ontario, Ore.
Burley, Ida.
Greenville, Mich.

H. J. Heinz Company of Canada Ltd.
Toronto, Ontario
Wholly-owned subsidiary;
established in 1909.
Albert Forsyth, President

Factory:
Leamington, Ont.

Latin America and Pacific

H. J. Heinz Company of Australia Ltd.
Dandenong, Victoria

Wholly-owned subsidiary;
established in 1935.
Fred V. Kellow, Managing Director

Factory:
Dandenong, Victoria

Alimentos Heinz C.A.
Valencia, Carabobo, Venezuela

100% Heinz owned;
established in 1959.
John Johnson, President

Factory:
San Joaquín, Carabobo

Nichiro Heinz Company Ltd.
Tokyo, Japan

80% Heinz owned;
established in 1961.
Ernest W. Barr, President

Factory:
Kurihama

Heinz Alimentos S.A. de C.V.
Mexico City, Mexico

80% Heinz owned; acquired in 1963.
Gerald K. Warner, President

Factories:
Salamanca, Guanajuato
Los Robles, Veracruz
Loma Bonita, Oaxaca
Los Mochis, Sinaloa

Europe

H. J. Heinz Company Limited
Hayes, Middlesex, England

91.16% Heinz owned;
established in 1905.
Anthony de la P. Beresford, Vice Chairman
Anthony J. F. O'Reilly, Managing Director

Factories:
Harlesden (London)
Kitt Green
Standish

W. Darlington and Sons (Holdings) Ltd.
Angmering, Sussex (acquired in 1969)
Robert G. Darlington, Managing Director

Pickerings Foods Ltd.
Hayes, Middlesex
George Popham, Managing Director

Factories:
Didcot, Berks
Halnaker, Chichester
Wellingborough, Northamptonshire
Shrewsbury, Shropshire
Coleraine, Northern Ireland

Heinz-Erin Ltd.
Dublin, Ireland
50% Heinz owned; established in 1967
to market products of Erin Foods, Ltd.
in the United Kingdom.
Charles F. Lowe
Brendan G. Doyle
Managing Directors

H. J. Heinz A/S
Copenhagen, Denmark

Established in 1969 to market
Heinz products in Denmark.
Dennis F. J. Shattock, Chairman

H. J. Heinz N.V.
Elst, Gelderland, The Netherlands

Wholly-owned subsidiary;
acquired in 1958.
Arnold A. Reuvekamp, Managing Director

Factory:
Elst, Gelderland

H. J. Heinz Company (Belgium) S.A./N.V.
Brussels, Belgium
Arnold A. Reuvekamp, Managing Director

Industrias de Alimentacao Limitada
Lisbon, Portugal

70% owned by H. J. Heinz Company N.V.,
The Netherlands; acquired in 1965.
Jorge Giralt, General Manager

Factories:
Vila Franca de Xira
Benavente

Industria de Produtos Agricolas Desidratados, Ltda.
Vila Franca de Xira, Portugal

50% Heinz owned.
Jorge Giralt, General Manager

Factory:
Vila Franca de Xira.

Societa del Plasmon S.p.A.
Milan, Italy

Wholly-owned subsidiary;
acquired in 1963.
Dr. Aldo Tartarelli, Managing Director

Factory:
Milan

Societa del Plasmon, Sud., S.p.A.
Latina, Italy
Dr. Aldo Tartarelli, Managing Director

Factory:
Latina

Printed in U.S.A.

"Henry Heinz used to say that 'quality is to a product what character is to a man.' In founding his own company, he gave it both quality and character. He endowed it with a commitment to perfection, a marketing sense and an ingenuity that have served it across the span of a century. Because the basic idea was sound, Heinz has survived and flourished into an era of almost daily change."

—*Henry J. Heinz II, chairman of the board and grandson of the founder, speaking at Greenfield Village, Dearborn, Michigan, October 10, 1969. The occasion was a meeting of the board of directors, who had gathered to observe the company's centennial. Also on hand was Henry Ford II, chairman of Ford Motor Company, whose family founded Greenfield Village to preserve the landmarks of America's industrial greatness—including the "little house" in which Heinz had its beginnings.*

KETCHUP LOVERS SIZE
HEINZ
EST'D 1869
TOMATO
KETCHUP
HEINZ
57 VARIETIES
MANUFACTURED IN U. S. A. BY
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